

IRA TOWNSHIP
St. Clair County, Michigan
AUDITED FINANCIAL STATEMENTS
For The Year Ended June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name IRA TOWNSHIP	County ST. CLAIR
Fiscal Year End JUNE 30, 2006	Opinion Date AUGUST 25, 2006	Date Audit Report Submitted to State DECEMBER 11, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

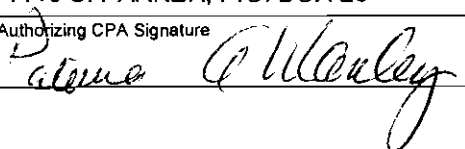
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Deficit reduction plan. See comments and recommendations letter regarding Uniform Chart of Accounts	
Certified Public Accountant (Firm Name) MCBRIDE, MANLEY & MILLER, P.C.		Telephone Number 810-765-4095	
Street Address 1115 S. PARKER, P.O. BOX 26		City MARINE CITY	State MI
Zip 48039			
Authorizing CPA Signature 	Printed Name PATRICA A. MANLEY	License Number 1101014974	

IRA TOWNSHIP

Management's Discussion and Analysis

June 30, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased from a year ago from \$11,250,000 to \$11,032,000. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase of approximately \$198,000 (14% increase). This was mainly due to the receipt of grants and special assessments. The business-type activities experienced a \$412,000 decrease in net assets. This was mainly due to a decrease in tap fees and special assessment revenues along with an increase in depreciation and supplies. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities *		Total	
	2005	2006	2005	2006	2005	2006
Current Assets	\$ 944	\$ 943	\$ 2,220	\$ 1,618	\$ 3,164	\$ 2,561
Noncurrent Assets	1,527	1,588	16,226	15,904	17,753	17,492
Total Assets	2,471	2,531	18,446	17,522	20,917	20,053
Long-Term Debt Outstanding	561	478	7,848	7,578	8,409	8,056
Other Liabilities	492	437	770	528	1,262	965
Total Liabilities	1,053	915	8,618	8,106	9,671	9,021
Net Assets						
Invested in Capital Assets - Net of Debt	974	893	7,730	7,664	8,704	8,557
Restricted	333	562	-	150	333	712
Unrestricted	111	161	2,098	1,602	2,209	1,763
Total Net Assets	\$ 1,418	\$ 1,616	\$ 9,828	\$ 9,416	\$ 11,246	\$ 11,032

* 2005 amounts have been restated to reflect prior period adjustments

IRA TOWNSHIP

Management's Discussion and Analysis

June 30, 2006

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, increased by \$50,000 for the governmental activities. This represents an increase of approximately 46.0%. The current level of unrestricted net assets for our governmental activities stands at \$161,000, or about 9.0% of expenditures. This is within the targeted range set by the Township during its last budget process.

The following table shows the changes in the net assets (in thousands of dollars) as of the current date to the prior year:

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Program Revenues						
Charges for Services	\$ 350	\$ 311	\$ 2,128	\$ 2,124	\$ 2,478	\$ 2,435
Operating Grants and Contributions	-	27	-	-	-	27
Capital Grants and Contributions	-	313	181	-	181	313
General Revenues						
Property Taxes	508	543	-	-	508	543
State-shared Revenues	493	500	-	-	493	500
Unrestricted Investment Earnings	25	26	48	35	73	61
Other	153	146	-	-	153	146
Total Revenues	1,529	1,866	2,357	2,159	3,886	4,025
Program Expenses						
General Government	293	356	-	-	293	356
Public Safety	890	935	-	-	890	935
Public Works	212	259	-	-	212	259
Legislative	17	17	-	-	17	17
Community Development	43	23	-	-	43	23
Recreation and Culture	41	54	-	-	41	54
Debt Service	26	24	-	-	26	24
Water	-	-	1,472	1,531	1,472	1,531
Sewer	-	-	1,041	1,040	1,041	1,040
Total Expenses	1,522	1,668	2,513	2,571	4,035	4,239
Change in Net Assets	\$ 7	\$ 198	\$ (156)	\$ (412)	\$ (149)	\$ (214)

The Township's net assets are at expected levels. Although net assets increased by \$198,000, the General Fund's unreserved fund balance decreased by approximately \$121,000, bringing it to 11.5% of annual expenditures.

IRA TOWNSHIP

Management's Discussion and Analysis

June 30, 2006

Governmental Activities

The Township's governmental activities consist of the General Fund, Fire Operational Fund, and four Debt Service Funds. The governmental activities experienced an increase in net assets--basically as a result of the receipt of grants and special assessment revenues.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to approximately 85% of the Township's residents, and sewage treatment to approximately 75% of the Township's residents. We experienced a decrease in our net operating income, due primarily to operating costs--largest depreciation.

The Township's Funds

Our analysis of the Township's major funds begins on page 5, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund and the Fire Fund.

The General Fund pays for most of the Township's governmental services. The most significant are general government, public works, and public safety, which incurred expenses of approximately \$1,549,000. These services are partially supported by a special millage which is recorded in the Fire Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The only significant change was an expected increase in the transfer to the Fire Fund. Most departments overall stayed within budget. The only significant department over budget was capital outlay which was a result of the purchase of vacant land. The General Fund's fund balance decreased from \$246,000 a year ago to \$ 125,000 at June 30, 2006.

Capital Asset and Debt Administration

At the end of June 30, 2006, the Township had \$17,184,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements.

The significant changes in indebtedness during the year are the result of the issuance of \$135,000 in special assessment bonds during the year to finance a road paving project. These bonds will be retired by means of assessments against affected property owners. The Township also issued \$480,000 of capital improvement bonds to finance various water and sewer lines. These bonds will be paid from an increase in user rates.

IRA TOWNSHIP

Management's Discussion and Analysis

June 30, 2006

Fund Balance Deficit

The Township's Fire Operational Fund ended the year with a fund balance deficit of approximately \$7,000. It has always been the policy of the Township to transfer amounts as needed to the Fire Operational Fund to cover its expenses. A transfer sufficient to cover this deficit will be transferred during the 2006/2007 fiscal year.

Economic Factors and Next Year's Budgets and Rates

The Township needs to continue to watch its budget very closely. In excess of 50% of the General Fund revenues are generated from the State of Michigan revenue sharing formula. The State has experienced significant budget deficits, and these revenues may be reduced in an attempt to balance their budget in the future.

In the current economy, it is the Township's intention to consider budget cuts whenever possible. This should help in strengthening both the General Fund and the Fire Operating Funds.

Contacting the Township Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the supervisor's office.

IRA TOWNSHIP

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**McBride, Manley
& Müller P.C.**

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

August 25, 2006

Township Board
Ira Township
7085 Meldrum Road
Fair Haven, Michigan 48023

Honorable Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of IRA TOWNSHIP, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ira Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ira Township, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

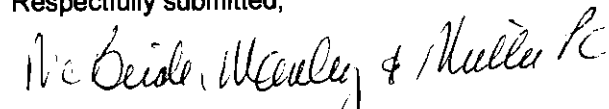
In accordance with *Government Auditing Standards*, we have also issued our reported dated August 25, 2006, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages i through iv are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ira Township's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our report of comments and recommendations dated August 25, 2006, has been submitted under separate cover.

Respectfully submitted,



McBRIDE, MANLEY & MÜLLER P.C.
Certified Public Accountants



IRA TOWNSHIP**STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash - checking and on hand	\$ 12,969	\$ 11,600	\$ 24,569
- savings and certificates	505,936	3,735	509,671
- Municipal Investment Pool	53,973	291,416	345,389
Restricted cash - expendable	—	307,796	307,796
Restricted receivables - expendable	—	405,257	405,257
Accounts receivable and other	248,589	498,321	746,910
Internal balances*	18,980	—	—
Due from other units of government	49,825	—	49,825
Prepaid expenses	44,575	69,324	113,899
Accrued interest receivable	7,844	—	7,844
Deposits	—	30,520	30,520
Total Current Assets	942,691	1,617,969	2,541,680
Other Assets			
Capital assets, net of accumulated depreciation	1,588,661	15,289,598	16,878,259
Internal balances*	—	150,000	—
Construction in progress	—	305,534	305,534
Bond issuance costs, net of amortization	—	158,951	158,951
TOTAL ASSETS	\$ 2,531,352	\$ 17,522,052	\$ 19,884,424
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 22,087	\$ 98,156	\$ 120,243
Accrued expenses	15,308	33,713	49,021
Accrued interest	7,695	24,446	32,141
Internal balances*	150,000	18,980	—
Deferred revenue	23,676	—	23,676
Current portion of long-term obligations	218,359	352,378	570,737
Total Current Liabilities	437,125	527,673	795,818
Noncurrent Liabilities			
Long-term obligations net of current portion	477,689	7,578,533	8,056,222
TOTAL LIABILITIES	\$ 914,814	\$ 8,106,206	\$ 8,852,040
NET ASSETS			
Investment in general fixed assets, net of related debt	\$ 892,613	\$ 7,664,221	\$ 8,556,834
Restricted	562,498	150,000	712,498
Unrestricted	161,427	1,601,625	1,763,052
TOTAL NET ASSETS	\$ 1,616,538	\$ 9,415,846	\$ 11,032,384

* amounts have been offset in the total column



IRA TOWNSHIP

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

	Program Revenues					Net (Expense) Revenue		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total
PRIMARY GOVERNMENT								
Governmental Activities:								
General government	\$ 355,436	\$ 72,305	\$ -	\$ -	\$ (283,131)	\$ -	\$ -	(283,131)
Legislative	16,641	-	-	-	(16,641)	-	-	(16,641)
Public safety	935,133	46,870	-	175,492	(712,771)	-	-	(712,771)
Public works	258,575	191,608	-	-	(66,967)	-	-	(66,967)
Community development	23,095	-	-	-	(23,095)	-	-	(23,095)
Parks and recreation	46,265	-	27,537	-	(18,728)	-	-	(18,728)
Library	8,108	-	-	-	(8,108)	-	-	(8,108)
Debt service	24,418	-	-	137,291	112,873	-	-	112,873
Total Governmental Activities	1,667,671	310,783	27,537	312,783	(1,016,568)	-	-	(1,016,568)
Business-Type Activities:								
Water and sewer	2,570,382	2,123,819	-	-	-	(446,563)	(446,563)	(446,563)
Total Business-Type Activities	2,570,382	2,123,819	-	-	-	(446,563)	(446,563)	(446,563)
TOTAL PRIMARY GOVERNMENT	\$ 4,238,053	\$ 2,434,602	\$ 27,537	\$ 312,783	(1,016,568)	(446,563)	(446,563)	(1,463,131)
GENERAL PURPOSE REVENUES								
Property taxes					543,540	-	-	543,540
State shared revenues					499,700	-	-	499,700
Investment earnings					25,967	34,943	(233)	60,910
Loss on sale of assets					-	-	-	(233)
Other					146,005	-	-	146,005
TOTAL GENERAL PURPOSE REVENUES					1,215,212	34,710	34,710	1,249,922
CHANGE IN NET ASSETS					198,644	(411,853)	(411,853)	(213,209)
Net assets at July 1, 2005					1,417,894	9,831,679	9,831,679	11,249,573
Prior period adjustments					-	(3,980)	(3,980)	(3,980)
Restated net assets at July 1, 2005					1,417,894	9,827,699	9,827,699	11,245,593
NET ASSETS AT JUNE 30, 2006					\$ 1,616,538	\$ 9,415,846	\$ 9,415,846	\$ 11,032,384

See accompanying notes.

IRA TOWNSHIP**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2006

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash - checking and on hand	\$ 4,986	\$ --	\$ --	\$ 4,986
- savings and certificates	74,892	3,389	427,655	505,936
- Municipal Investment Pool	53,973	--	--	53,973
Accounts receivable and other	88,154	--	--	88,154
Due from other funds	73,086	--	8,586	81,672
Due from other units of government	49,825	--	--	49,825
Taxes and special assessment receivable	6,112	2,713	151,610	160,435
Accrued interest receivable	164	2	--	166
Prepaid insurance	20,198	24,377	--	44,575
TOTAL ASSETS	\$ 371,390	\$ 30,481	\$ 587,851	\$ 989,722
LIABILITIES				
Accounts payable	\$ 18,194	\$ 3,893	\$ --	\$ 22,087
Accrued expenses	5,029	1,911	--	6,940
Due to other funds	150,000	29,590	25,119	204,709
Deferred revenue	73,572	2,713	151,610	227,895
TOTAL LIABILITIES	246,795	38,107	176,729	461,631
FUND EQUITY				
Reserved	--	--	411,122	411,122
Unreserved, undesignated	124,595	(7,626)	--	116,969
TOTAL FUND EQUITY	124,595	(7,626)	411,122	528,091
TOTAL LIABILITIES AND FUND EQUITY	\$ 371,390	\$ 30,481	\$ 587,851	\$ 989,722

See accompanying notes.



IRA TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balance - Governmental Funds	\$	528,091
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of capital assets	\$	3,720,707	
Less: accumulated depreciation		<u>(2,132,046)</u>	
Net Capital Assets			1,588,661

Delinquent personal property taxes, recreation millage receivable, and special assessment receivable, along with interest income receivable, were not available soon enough after year end to pay the current period expenditures and, therefore, are deferred in the governmental funds.

211,897

Long-term liabilities, including bonds payable, are not due in the current period and, therefore, are not reported as liabilities in the governmental funds.

Bonds payable, including unamortized premium	(696,048)	
Accrued interest on the bonds	(7,695)	
Compensated absences	<u>(8,368)</u>	
Total Long-Term Liabilities		(712,111)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>1,616,538</u>
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IRA TOWNSHIP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the year ended June 30, 2006

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Tax collections	\$ 119,023	\$ 255,258	\$ 170,184	\$ 544,465
Distributions from State of Michigan	499,700	--	--	499,700
Local millage recreation funds	26,415	--	--	26,415
Licenses, permits, fines, and fees	60,449	--	--	60,449
Fire protection fees	46,870	--	--	46,870
Tax administration fees, penalty, and interest	65,127	--	--	65,127
Interest earned	7,833	632	9,824	18,289
Special assessments	319	--	36,618	36,937
Refuse collection	191,608	--	--	191,608
Grant income	30,288	145,204	--	175,492
Miscellaneous revenue	88,040	4,730	--	92,770
TOTAL REVENUES	1,135,672	405,824	216,626	1,758,122
Other Financing Sources:				
Bond proceeds	--	--	135,000	135,000
Transfer from other funds	25,119	250,669	--	275,788
TOTAL REVENUES AND OTHER FINANCING SOURCES	1,160,791	656,493	351,626	2,168,910
Expenditures:				
Legislative	16,641	--	--	16,641
General government	374,883	--	--	374,883
Public safety	293,729	635,190	--	928,919
Public works	281,189	--	--	281,189
Community development	23,095	--	--	23,095
Parks and recreation	84,952	--	--	84,952
Library	7,833	--	--	7,833
Miscellaneous	--	--	275	275
Debt service:				
Principal retirement	--	21,719	174,581	196,300
Interest and fiscal fees	--	2,024	22,625	24,649
TOTAL EXPENDITURES	1,082,322	658,933	197,481	1,938,736



IRA TOWNSHIP**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
(Continued)**

For the year ended June 30, 2006

	General	Fire Operational Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Uses:				
Transfers to other funds	\$ 199,651	\$ --	\$ 76,137	\$ 275,788
TOTAL EXPENDITURES AND OTHER FINANCING USES	1,281,973	658,933	273,618	2,214,524
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(121,182)	(2,440)	78,008	(45,614)
Fund Balance at July 1, 2005	245,777	(5,186)	333,114	573,705
FUND BALANCE (DEFICIT) AT JUNE 30, 2006	\$ 124,595	\$ (7,626)	\$ 411,122	\$ 528,091



IRA TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE STATEMENT OF ACTIVITIES

June 30, 2006

Total Net Change in Fund Balances - Governmental Funds	\$	(45,614)
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for Township activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of net activities. Proceeds from the sale of capital assets are reported as revenue in the governmental funds. For Township activities, these proceeds are reduced by the net book value of disposed assets to provide the gain or loss on sale of such assets in the statement of net activities.

Capital outlay	\$	320,809	
Less: depreciation		<u>(244,864)</u>	75,945

Delinquent personal property taxes, recreation millage receivable, and special assessment receivable, along with interest income receivable, were not available soon enough after year end to pay the current period expenditures, and therefore, are deferred in the governmental funds.

115,493

Miscellaneous receivables that were not available soon enough after year end to pay the current period expenditures were collected this year

(7,300)

Repayment of bond principal is an expenditure, and bond proceeds are revenue in the governmental funds. Proceeds increase and repayments decrease liabilities in the statement of net assets and do not affect the statement of activities.

Bond principal payments	\$	196,300	
Bond proceeds		<u>(135,000)</u>	61,300

Compensated absences are measured by the amount earned in the statement of activities. In the governmental funds, these items are measured by financial resources used.

(1,411)

Interest expenditures are recorded when financial resources are used in the governmental funds. Interest expense is recognized as the interest accrues regardless of when it is due.

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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>198,644</u>
--	-----------	-----------------------

IRA TOWNSHIP**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2006

**Water Supply and
Sewage Disposal System**

ASSETS

Current Assets

Cash - checking and on hand	\$	11,600
- savings and certificates		3,735
- Municipal Investment Pool		291,416
Restricted cash - expendable		307,796
Restricted receivables - expendable		405,257
Accounts receivable and other		498,321
Prepaid insurance		69,324
Deposits with St. Clair County		30,520
<i>Total Current Assets</i>		<u>1,617,969</u>

Other Assets

Due from other funds		150,000
Bond issuance costs, net of amortization		158,951
Construction in progress		305,534
Capitalized lease, net of amortization		8,670,994
Capital assets, net of accumulated depreciation		6,618,604
TOTAL ASSETS	\$	<u>17,522,052</u>

LIABILITIES

Current Liabilities

Accounts payable	\$	98,156
Accrued expenses		58,159
Due to other funds		18,980
Current portion of long-term obligations		352,378
<i>Total Current Liabilities</i>		<u>527,673</u>

Noncurrent Liabilities

Long-term obligations net of current portion		7,578,533
TOTAL LIABILITIES	\$	<u>8,106,206</u>

NET ASSETS

Investment in capital assets, net of related debt	\$	7,664,221
Restricted		150,000
Unrestricted		1,601,625
TOTAL NET ASSETS	\$	<u>9,415,846</u>



IRA TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2006

	Water Supply and Sewage Disposal System
Operating Revenues:	
User charges	\$ 1,239,100
Water hauling fees	35,423
Water and sewer tap fees	56,087
Lateral line charge	38,418
Penalties	24,233
Miscellaneous revenue	23,009
TOTAL OPERATING REVENUES	1,416,270
Operating Expenses:	
Water	1,284,810
Sewer	966,863
TOTAL OPERATING EXPENSES	2,251,673
NET LOSS FROM OPERATIONS	(835,403)
Nonoperating Revenues (Expenses):	
Debt service	707,549
Income on restricted assets	22,079
Interest earned	12,864
Bond interest and agent fees	(318,709)
Loss on sale of assets	(233)
TOTAL NONOPERATING REVENUES	423,550
CHANGE IN NET ASSETS	(411,853)
Net assets at July 1, 2005	9,831,679
Prior period adjustments	(3,980)
Restated net assets at July 1, 2005	9,827,699
NET ASSETS AT JUNE 30, 2006	\$ 9,415,846

IRA TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the year ended June 30, 2006

	Water Supply and Sewage Disposal System
<i>Cash Flows From Operating Activities:</i>	
Receipts from customers	\$ 1,271,360
Payments to suppliers	(1,093,677)
Payments to employees	(552,660)
<i>Net Cash Used In Operating Activities</i>	<i>(374,977)</i>
<i>Cash Flows From Capital and Related Financing Activities:</i>	
Acquisition of capital assets	(362,732)
Bond proceeds	480,000
Bond issuance costs	22,719
Special assessment collections	185,961
Principal paid on bonds and capitalized lease	(846,662)
Interest paid on bonds and capitalized lease	(318,709)
Debt service revenue	707,549
<i>Net Cash Used In Capital and Related Financing Activities</i>	<i>(131,874)</i>
<i>Cash Flows From Investing Activities:</i>	
Interest and dividends on investments	43,219
<i>Net Cash Provided By Investing Activities</i>	<i>43,219</i>
<i>NET DECREASE IN CASH AND CASH EQUIVALENTS</i>	<i>(463,632)</i>
Cash and Cash Equivalents at July 1, 2005	1,078,179
<i>CASH AND CASH EQUIVALENTS AT JUNE 30, 2006</i>	<i>\$ 614,547</i>

IRA TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)

For the year ended June 30, 2006

	Water Supply and Sewage Disposal System
Reconciliation of Operating Income to Net Cash Used in Operating Activities:	
Operating loss	\$ (835,403)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	812,290
Amortization	2,827
Change in Assets and Liabilities:	
Accounts receivable	(137,572)
Prepaid insurance	(69,324)
Accounts payable and other	(118,083)
Accrued expenses	(4,273)
Due to other units of government	(14,419)
Deferred revenue	(7,338)
Due to other funds	(3,682)
Net Cash Used in Operating Activities	\$ (374,977)



IRA TOWNSHIP

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

For the year ended June 30, 2006

	Tax Fund	Agency Fund
ASSETS		
Cash - checking and on hand	\$ 7,345	\$ 154,153
- savings and certificates	—	26,639
Accounts receivable	—	204
TOTAL ASSETS	\$ 7,345	\$ 180,996
LIABILITIES		
Due to other funds	\$ 5,000	\$ 2,983
Due to other units of government	—	3,154
Due to Township employees or residents	2,345	174,859
TOTAL LIABILITIES	\$ 7,345	\$ 180,996



IRA TOWNSHIP

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2006

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues:				
Tax collections	\$ 123,936	\$ 123,936	\$ 119,023	\$ (4,913)
Distributions from State of Michigan	498,863	498,863	499,700	837
Local millage recreation funds	26,415	26,415	26,415	--
Licenses, permits, fines, and fees	59,950	59,950	60,449	499
Fire protection fees	48,062	48,062	46,870	(1,192)
Tax administration fees, penalty, and interest	78,700	78,700	65,127	(13,573)
Interest earned	7,000	7,000	7,833	833
Special assessment	727	727	319	(408)
Refuse collection	175,850	175,850	191,608	15,758
Grant income	--	--	30,288	30,288
Miscellaneous revenue	120,850	120,850	88,040	(32,810)
TOTAL REVENUES	1,140,353	1,140,353	1,135,672	(4,681)
Other Financing Sources:				
Transfers from other funds	43,283	--	25,119	25,119
TOTAL REVENUES AND OTHER FINANCING SOURCES	1,183,636	1,140,353	1,160,791	20,438
Expenditures:				
Supervisor	9,700	9,700	9,704	(4)
Clerk	31,850	31,850	31,442	408
Treasurer	30,000	30,000	36,979	(6,979)
Trustees	14,000	14,000	14,054	(54)
Township Board	280,415	312,115	282,691	29,424
Utilities	9,100	9,100	6,686	2,414
Building department	130,950	130,950	139,658	(8,708)
Police department	105,600	105,600	115,025	(9,425)
Employee benefits	120,278	121,978	96,530	25,448
Insurance	20,000	20,000	23,350	(3,350)
Capital outlay	68,100	70,250	146,626	(76,376)
Refuse	175,850	175,850	179,577	(3,727)
TOTAL EXPENDITURES	995,843	1,031,393	1,082,322	(50,929)
Other Financing Uses:				
Transfers to other funds	170,000	214,000	199,651	14,349
TOTAL EXPENDITURES AND OTHER FINANCING USES	1,165,843	1,245,393	1,281,973	(36,580)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17,793	(105,040)	(121,182)	(16,142)
Fund Balance at July 1, 2005	245,777	245,777	245,777	--
FUND BALANCE AT JUNE 30, 2006	\$ 263,570	\$ 140,737	\$ 124,595	\$ (16,142)

See accompanying notes.



IRA TOWNSHIP**FIRE OPERATIONAL FUND****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues:				
Tax collections	\$ 258,511	\$ 258,511	\$ 255,258	\$ (3,253)
Grant income	152,550	152,550	145,204	(7,346)
Miscellaneous income	—	—	4,730	4,730
Interest earned	1,000	1,000	632	(368)
TOTAL REVENUES	412,061	412,061	405,824	(6,237)
Other Financing Sources:				
Transfer from other funds	342,341	342,341	250,669	(91,672)
TOTAL REVENUES AND OTHER FINANCING SOURCES	754,402	754,402	656,493	(97,909)
Expenditures:				
Public Safety:				
Salaries and benefits	309,800	309,800	320,112	(10,312)
Supplies	6,700	6,700	7,769	(1,069)
Uniforms	4,000	4,000	1,271	2,729
Emergency supplies	8,000	8,000	1,761	6,239
Contracted services	9,000	9,000	10,796	(1,796)
Professional services	5,200	5,200	5,070	130
Telephone and communications	5,100	5,100	3,845	1,255
Vehicle operation	5,700	5,700	5,535	165
Insurance	35,600	35,600	34,603	997
Utilities	16,600	16,600	14,304	2,296
Maintenance	19,700	19,700	24,916	(5,216)
Seminars and training	4,900	4,900	2,728	2,172
Dues and subscriptions	1,500	1,500	1,096	404
Miscellaneous charges	150	150	2,082	(1,932)
Capital outlay	191,050	191,050	199,302	(8,252)
Debt Service:				
Principal	131,119	131,119	21,719	109,400
Interest and fees	—	—	2,024	(2,024)
TOTAL EXPENDITURES	754,119	754,119	658,933	95,186
Other Financing Uses:				
Transfer to General Fund	283	283	—	283
TOTAL EXPENDITURES AND OTHER FINANCING USES	754,402	754,402	658,933	95,469
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	—	—	(2,440)	(2,440)
Fund Balance (Deficit) at July 1, 2005	(5,186)	(5,186)	(5,186)	—
FUND BALANCE (DEFICIT) AT JUNE 30, 2006	\$ (5,186)	\$ (5,186)	\$ (7,626)	\$ (2,440)

See accompanying notes.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES: Ira Township operates under an elected Supervisor, Clerk, Treasurer, and Board of two trustees and provides services to its residents (approximately 6,900) in many areas, including fire and police protection.

REPORTING ENTITY: The financial reporting entity consists solely of Ira Township. GASB Statement No. 14, as amended, states that the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the financial reporting entity are separately elected governing body, legally separate entity, fiscally independent, ability to appoint voting majority of governing body, ability to impose its will, and potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Properties in Ira Township are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These tax revenues are recognized when levied to the extent that they result in current receivables. All real property taxes levied December 31, 2005, have been received and recognized as revenue at June 30, 2006.

Revenues earned and susceptible to accrual are considered available and recognized if received within sixty days after the year end.

The government reports the following major governmental funds:

GENERAL FUND - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

FIRE OPERATIONAL FUND - This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

The government reports the following major proprietary funds:

ENTERPRISE FUNDS - The Water Supply and Sewer Disposal System Fund reports operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS *(Continued)*

June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private sector standards issued after November 30, 1989, for its business-type activities.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS

BANK DEPOSITS AND INVESTMENTS: Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

RECEIVABLES AND PAYABLES: In general, outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of allowance for uncollectible amounts.

INVENTORIES AND PREPAID ITEMS: Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CAPITAL ASSETS: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets are depreciated using the straight-line method over the following useful lives:

Vehicles	5 years
Equipment	5-10 years
Buildings	35-40 years
Lines	15-40 years

COMPENSATED ABSENCES: The Township employs sixteen full-time employees entitled to compensated absences. These employees are entitled to six sick days per calendar year, with a maximum accumulation of sixty days. Employees are paid for one half of accumulated days upon resignation of employment.

All vacation and vested sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

LONG-TERM OBLIGATIONS: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FUND EQUITY: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

It is the policy of the Township to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2006

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS: P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended by the Township Board, were adopted at the departmental level and are shown in the body of the financial statements. Budget amendments require approval from a majority of the Township Board. Actual expenditures exceeded those budgeted as follows:

General Fund

Supervisor	\$ 4
Treasurer	6,979
Building Department	8,708
Police Department	9,425
Insurance	3,350
Refuse	3,727
Capital outlay	76,376
Trustees	54

Fire Fund

Salaries and benefits	\$10,312
Contracted services	1,796
Supplies	1,069
Maintenance	5,216
Miscellaneous charges	1,932
Capital outlay	8,252
Interest and fees	2,024

In addition, Michigan statutes do not permit a fund to maintain a deficit fund balance. The Fire Operational Fund ended the year June 30, 2006, with a deficit of \$7,626. The Township is required to adopt a deficit reduction plan and submit the plan to the Michigan Department of Treasury.

NOTE 3: CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are at Michigan banks in the name of Ira Township. Michigan Act 20 P.A. 1943 allows a township to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within 2 highest rate classifications by at least 2 rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS *(Continued)*

June 30, 2006

NOTE 3: CASH AND INVESTMENTS (Continued)

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The deposits of the Township are in accordance with statutory authority.

Mutual fund investments are limited to those under SEC Rule 2a7 or 2a7-like investment pools. In accordance with GASB Statement 31, these are carried at amortized cost for financial reporting purposes.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "checking and on hand," "savings and certificates," "Municipal Investment Pool," "Investments," and "Restricted cash."

INVESTMENTS: During the year and at year end, the Township's investments were with various municipal pooled investment trust mutual funds. The year end balances at cost and market were \$345,389.

INTEREST RATE RISK: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Township's investment policy limits its mutual and similar pooled investment funds to those under SEC Rule 2a7 or 2a7-like investment pools. In addition, Michigan statutes limit its investments in non U.S. Government securities to commercial paper with maturities of no longer than 270 days. The Township's policy limits investments to those with a maturity of less than one year.

CREDIT RISK: The Township's policy and state statutes limit the Township's investments to those described above. At year end, the bank balance and carrying amount of the government's deposits with financial institutions totaled \$2,050,286 and \$1,367,128, respectively, of which \$107,375 was insured by the FDIC, and the remainder is not insured. The investment policy limits certificates of deposit in excess of FDIC insurance limits to those whose issuing institution has an investment grade rating. The policy contains no restrictions on cash deposits, other than the Michigan statute limitation to deposits with Michigan Chartered institutions.

CUSTODIAL RISK: The Township's policy does not address custodial risk, however, the Township's investments are all held by it and in its name.

NOTE 4: RESTRICTED ASSETS

Restricted Water and Sewer Fund cash includes amounts on deposit with the St. Clair County Department of Public Works Sewage Disposal System No. 1 in the amount of \$42,713 and monies restricted by Township ordinance in the amount of \$265,083. Additional assets restricted by Township ordinance consist of user receivables of \$62,953, accrued interest receivable of \$7,781, special assessment receivable of \$147,835, and unbilled receivables of \$194,469. These amounts are restricted for debt retirement and future construction costs.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 5: *FIXED ASSETS*

Governmental Activities Fixed Assets:

A summary of changes in governmental fixed assets follows:

	Balance at 6/30/05	Additions	Disposals	Balance at 6/30/06
Office equipment	\$ 198,472	\$ 4,242	\$3,049	\$ 199,665
Equipment	27,720	1,620	--	29,340
Land and improvements	178,251	56,137	--	234,388
Buildings and improvements	964,866	3,130	--	967,996
Fire and police equipment	1,646,805	197,441	--	1,844,246
D.P.W. equipment	6,156	--	--	6,156
Fire hall improvements	32,254	55,312	--	87,566
Library improvements	44,026	--	--	44,026
Parks and recreation	307,324	--	--	307,324
	<u>3,405,874</u>	<u>317,882</u>	<u>3,049</u>	<u>3,720,707</u>
Less: Accumulated depreciation	(1,890,231)	(244,864)	(3,049)	(2,132,046)
	<u>\$1,515,643</u>	<u>\$ 73,018</u>	<u>\$ --</u>	<u>\$1,588,661</u>

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

Recreation and Cultural	\$ 17,450
Public Safety	184,739
Public Works	481
General Government	<u>42,194</u>
Total	<u>\$244,864</u>



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 5: **FIXED ASSETS** (Continued)

Business-Type Activities Fixed Assets:

A summary of changes in business-type fixed assets follows:

	Balance at 6/30/05	Additions	Disposals	Balance at 6/30/06
Water and Sewer Fund:				
Buildings	\$ 1,452,471	\$ 6,260	\$ --	\$ 1,458,731
Equipment	428,744	8,040	(9,178)	427,606
Vehicles	163,533	--	--	163,533
Pipe lines and plant	<u>12,533,319</u>	<u>63,004</u>	<u>--</u>	<u>12,596,323</u>
	14,578,067	77,304	(9,178)	14,646,193
Less: Accumulated depreciation	(7,495,534)	(541,000)	8,945	(8,027,589)
	<u>\$ 7,082,533</u>	<u>(\$463,696)</u>	<u>(\$ 233)</u>	<u>\$ 6,618,604</u>
Capitalized Leased Fixed Assets:				
Land	\$ 236,228	\$ --	\$ --	\$ 236,228
Water plant	8,994,588	--	--	8,994,588
Sewer Disposal System	<u>1,857,003</u>	<u>--</u>	<u>--</u>	<u>1,857,003</u>
	11,087,819	--	--	11,087,819
Less: Accumulated amortization	(2,145,535)	(271,290)	--	(2,416,825)
	<u>\$ 8,942,284</u>	<u>(\$271,290)</u>	<u>\$ --</u>	<u>\$ 8,670,994</u>
Construction in progress	<u>\$ 18,606</u>	<u>\$286,928</u>	<u>\$ --</u>	<u>\$ 305,534</u>

Depreciation and amortization for the year ended June 30, 2006, amounted to \$291,021 in the Sewer Department. Depreciation and amortization expense amounted to \$521,269 in the Water Department.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 6: BONDS PAYABLE AND OTHER LONG-TERM INDEBTEDNESS

Changes in Indebtedness:

	Bonds and Notes Payable	Amortizable Bond Discount	Total Long-Term Obligations
Balance at June 30, 2005	\$9,071,836	\$16,814	\$9,088,650
Bond proceeds	615,000	—	615,000
Amortization of discount	—	(2,827)	(2,827)
Retirement of debt	(1,045,890)	—	(1,045,890)
Balance at June 30, 2006	<u>\$8,640,946</u>	<u>\$13,987</u>	<u>\$8,654,933</u>
Total Water and Sewer Fund Leases and Bonded Indebtedness			\$7,944,898
Total Indebtedness in Governmental Funds			696,048
Unamortized Bond Premium			13,987
			<u>\$8,654,933</u>

Capitalized Lease Obligations:

The Township has entered into contracts under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, with St. Clair County, Michigan, for the lease of a water treatment plant. The terms of these leases extend until the county bonds issued for the construction of the water treatment plant are paid in full. The Township has pledged its full faith and credit to repay the bond issues with an unlimited tax general obligation approved by the vote of the Township residents. The contracts require semi-annual interest payments due the first of July and January and principal payments due the first of July of each year.

The Township also has a contract with St. Clair County for the lease of a wastewater treatment plant. The terms of this lease match those of the related bonds and bear the full faith and credit of the Township. Interest payments are due April and October and principal payments are due in April of each year for one issue. For another, interest payments are due March and September and principal payments are due in March of each year.

Minimum lease payments are as follows:

	6/30/2007	6/30/2008	6/30/2009	6/30/2010
Water Department	\$196,923	\$597,297	\$601,329	\$603,885
Sewer Department	180,526	181,036	181,289	181,273
Total Minimum Lease Payments	<u>\$377,449</u>	<u>\$778,333</u>	<u>\$782,618</u>	<u>\$785,158</u>
	6/30/2011	6/30/2012-16	6/30/2017-21	6/30/2022-23
Water Department	\$604,892	\$3,030,149	\$1,359,170	\$ —
Sewer Department	178,996	493,696	412,475	168,372
Total Minimum Lease Payments	<u>\$783,888</u>	<u>\$3,523,845</u>	<u>\$1,771,645</u>	<u>\$168,372</u>

Interest expense and paying agent fees for Ira Township for the year ended June 30, 2006, totaled \$342,359.

The General Obligation Bonds are to be financed by tax revenues accumulated in the Debt Service Fund. The Water and Sewer Fund's lease obligations are to be financed by a combination of user charges and an unlimited tax general obligation approved by the vote of the Township residents. If, at any time, the revenue of the Water and Sewer Fund is insufficient to meet the current obligation, the liability becomes a general obligation of the Township.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 6: BONDS PAYABLE AND OTHER LONG-TERM INDEBTEDNESS (Continued)

Summary of Indebtedness:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>	<u>Current Portion</u>
General Obligations:					
Special Assessment Bonds - Series 2000	1	4.80%	2007	\$ 95,000	\$ 95,000
Special Assessment Bonds - Series 2003A	1	3.75	2008	130,000	65,000
Special Assessment Bonds - Series 2004	1	3.88	2012	160,862	25,000
Special Assessment Bonds - Series 2006	1	6.85	2011	135,000	20,000
Installment Loan - DPW/Water and Sewer	N/A	4.30	2009	195,000	65,000
Installment Loans - Fire Trucks	N/A	3.34 - 5.25	2010	422,356	124,667
Capital Improvement Bonds - Series 2006	1	3.85 - 4.20	2013	480,000	60,000
Capitalized Leases - Water Department	2	2.250 - 4.125	2019	5,545,000	—
Capitalized Leases - Sewer Department	2	3.375 - 5.125	2023	<u>1,477,728</u>	<u>116,070</u>
Total General Obligations				<u>\$8,640,946</u>	<u>\$570,737</u>

Complete details of the Township's outstanding indebtedness are presented on pages 34-38.

Summary of Principal and Interest Requirements:

	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>
Special Assessment Bonds	\$222,430	\$ 132,929	\$ 68,663	\$ 60,541
Capital Improvement Bonds	76,688	82,070	79,535	81,968
Installment Loans	211,505	200,340	189,687	60,946
Capitalized Leases	<u>377,449</u>	<u>778,333</u>	<u>782,618</u>	<u>785,158</u>
Total Principal and Interest Requirements	<u>\$888,072</u>	<u>\$1,193,672</u>	<u>\$1,120,503</u>	<u>\$988,613</u>
	<u>6/30/2011</u>	<u>6/30/2012-16</u>	<u>6/30/2017-22</u>	<u>6/30/2023</u>
Special Assessment Bonds	\$ 60,457	\$ 23,306	\$ —	\$ —
Capital Improvement Bonds	79,133	159,412	—	—
Installment Loans	—	—	—	—
Capitalized Leases	<u>783,888</u>	<u>3,523,845</u>	<u>1,771,645</u>	<u>168,372</u>
Total Principal and Interest Requirements	<u>\$923,478</u>	<u>\$3,706,563</u>	<u>\$1,771,645</u>	<u>\$ 168,372</u>

Debt Margin:

Michigan Compiled Law limits indebtedness incurred by townships to 10% of the total taxable value of the township. For the fiscal year 05/06, the taxable value of Ira Township was \$168,568,960; therefore, the legal debt margin is \$16,857,000.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 7: INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "Due from other funds," "Due to other funds," or "Restricted assets" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
		Fire Fund	\$ 23,758
		Water and Sewer Fund	16,226
		Trust and Agency Fund	2,983
		Tax Fund	5,000
		Debt Service Funds	<u>25,119</u>
General Fund	<u>\$ 73,086</u>		<u>\$ 73,086</u>
		Water and Sewer Fund	\$ 2,754
		Fire Fund	<u>5,832</u>
Debt Service Funds	<u>\$ 8,586</u>		<u>\$ 8,586</u>
Water and Sewer Fund	<u>\$150,000</u>	General Fund	<u>\$150,000</u>

Interfund receivables and payables are eliminated in the entity-wide presentations, within the governmental and business-type fund groups.

NOTE 8: INTERFUND TRANSFERS

Expenses for fire protection are accounted for in the Fire Fund. The General Fund routinely transfers funds to cover these expenses. Other transfers are a result of the closing of similar fund types.

Operating transfers during the year ended June 30, 2006, are as follows:

	<u>Transfers In</u>		<u>Transfers Out</u>
		General Fund	\$199,651
		Debt Service Fund	<u>51,018</u>
Fire Fund	<u>\$250,669</u>		<u>\$250,669</u>
General Fund	<u>\$ 25,119</u>	Debt Service Fund	<u>\$ 25,119</u>

These transfers have been eliminated in the entity-wide Statement of Activities other than those between business-type activities and governmental activities.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 9: FUND BALANCE RESERVATIONS

	Balance at June 30, 2005	Increase	Decrease	Balance at June 30, 2006
Reserved Fund Balance:				
Governmental Funds - for bond payments	<u>\$333,114</u>	<u>\$351,626</u>	<u>\$273,618</u>	<u>\$411,122</u>

Restricted Net Assets:

Water and Sewer Fund - The Township's General Fund borrowed \$150,000 from the Water and Sewer Fund. The current liquidity of the General Fund will not allow for the current repayment of this loan and the timing of the repayment is unknown as of June 30, 2006.

Government Activities - \$562,498 is restricted for debt retirement.

NOTE 10: SEWAGE DISPOSAL SYSTEM

Ira Township entered into an agreement with Clay Township and the City of Algonac for the St. Clair County Department of Public Works to construct a joint sewer collector system. Ira Township issued \$2,800,000 worth of revenue bonds in payment of the Township's portion of the collector system. The full faith and credit of the Township and St. Clair County are pledged to the payment of these bonds pursuant to Act 185, Public Acts of Michigan, 1957, as amended. The Township operates and maintains the collector system which is being leased from the County. Ownership of the collector system will revert to the Township upon final payment of the bond issue. On the date the system was operable, the bonds payable and the related fixed asset were recorded at \$2,800,000. This fixed asset is being depreciated on a straight-line basis over 40 years. In 2003, an additional \$1,050,000 of bonds was issued for an upgrade and major repairs to the system.

NOTE 11: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries.

It is the opinion of the Township that the Township has no liability for losses under the plan but does have the duty of care that would be required of an ordinary, prudent investor.

NOTE 12: RISK FINANCING

Ira Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.



IRA TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2006

NOTE 13: ECONOMIC DEPENDENCY

Approximately 37% of the water and sewer revenues are obtained from one customer within the Township. The customer is a manufactured housing community consisting of approximately 1,400 sites.

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments in the Water and Sewer Fund consisted of the following:

Accrued interest payable not recorded at June 30, 2005	\$21,059
Engineering fees for construction in progress were expensed	(1,500)
Accrued interest receivable not recorded at June 30, 2005	(15,579)
	<u>\$ 3,980</u>

NOTE 15: SUBSEQUENT EVENTS

The Township has entered into an agreement with the Michigan Department of Environmental Quality for a Low-Impact Developments Project. This project will include the construction of a green roof on the fire hall, rain gardens, and grassed swales to collect runoff from the parking lot. The Township is to receive a grant of approximately \$290,000 with a local match required of the same amount.

The Township has also entered into an agreement with St. Clair County for the upgrade of the water main along M-29. This project is to be financed through the County using the State Drinking Water Revolving Fund. The bonds, in the amount of \$4,900,000, bear an interest rate of 2.125%, are payable over a period of twenty years, and have been issued subsequent to year end.

NOTE 16: 401(a) PLAN

During the year, the Township adopted a retirement plan known as the Ira Township 401(a) Plan. The plan is a defined contribution plan with an employee deferral option. The Township Board is the administrator and has authority to establish the plan and amend it. This plan covers all employees in the selected cohesive group. The contributions to the plan are at the discretion of the Board and there were no contributions for the year ending June 30, 2006.



SUPPLEMENTAL INFORMATION

IRA TOWNSHIP**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2006

	Debt Service Funds				
	Fire Truck	Special Assess. 2000A	Special Assess. 2003 Bethuy	Special Assess. 2006 Alex.	Total
ASSETS					
Cash - savings	\$ 190,447	\$ —	\$ 96,455	\$ 140,753	\$ 427,655
Taxes and S/A receivable	1,265	—	18,691	131,654	151,610
Due from other funds	5,832	2,754	—	—	8,586
TOTAL ASSETS	\$ 197,544	\$ 2,754	\$ 115,146	\$ 272,407	\$ 587,851
LIABILITIES					
Deferred revenue	\$ 1,265	\$ —	\$ 18,691	\$ 131,654	\$ 151,610
Due to other funds	—	—	—	25,119	25,119
TOTAL LIABILITIES	1,265	—	18,691	156,773	176,729
FUND EQUITY					
Reserved for debt retirement	196,279	2,754	96,455	115,634	411,122
TOTAL FUND EQUITY	196,279	2,754	96,455	115,634	411,122
TOTAL LIABILITIES AND FUND EQUITY	\$ 197,544	\$ 2,754	\$ 115,146	\$ 272,407	\$ 587,851



IRA TOWNSHIP**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS**

For the year ended June 30, 2006

	Debt Service Funds				Total
	Fire Truck	Special Assess. 2000A	Special Assess. 2003 Bethuy	Special Assess. 2006 Alex.	Non-Major Governmental Funds
Revenues:					
Property taxes	\$ 170,184	\$ —	\$ —	\$ —	\$ 170,184
Interest income	4,733	29	4,947	115	9,824
Special assessments	—	—	30,980	5,638	36,618
TOTAL REVENUES	174,917	29	35,927	5,753	216,626
Expenditures:					
Miscellaneous	—	25	250	—	275
Debt service:					
Principal	105,889	8,692	60,000	—	174,581
Interest	16,003	622	6,000	—	22,625
TOTAL EXPENDITURES	121,892	9,339	66,250	—	197,481
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	53,025	(9,310)	(30,323)	5,753	19,145
Other Financing Sources (Uses):					
Bond proceeds	—	—	—	135,000	135,000
Transfer to other funds	(51,018)	—	—	(25,119)	(76,137)
TOTAL OTHER FINANCING SOURCES AND USES	(51,018)	—	—	109,881	58,863
NET CHANGE IN FUND BALANCE	2,007	(9,310)	(30,323)	115,634	78,008
Fund Balance at July 1, 2005	194,272	12,064	126,778	—	333,114
FUND BALANCE AT JUNE 30, 2006	\$ 196,279	\$ 2,754	\$ 96,455	\$ 115,634	\$ 411,122



IRA TOWNSHIP

WATER AND SEWER FUND - WATER DEPARTMENT SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Water Department				
Operating Revenues:				
User charges	\$ 700,000	\$ 700,000	\$ 700,125	\$ 125
Water hauling fees	23,000	23,000	35,423	12,423
Lateral line charge	20,000	20,000	38,418	18,418
Tap fees	100,000	100,000	30,639	(69,361)
Installation fees	21,000	21,000	18,338	(2,662)
Penalties	—	—	14,357	14,357
Miscellaneous revenue	5,500	5,500	12,420	6,920
TOTAL OPERATING REVENUES	869,500	869,500	849,720	(19,780)
Operating Expenses:				
Salaries	365,000	365,000	353,213	11,787
Payroll taxes and benefits	156,000	156,000	163,448	(7,448)
Supplies	47,000	62,500	77,560	(15,060)
Water plant discharge	120,000	120,000	108,677	11,323
Seminars and publications	1,800	6,300	7,438	(1,138)
Repairs and maintenance	13,500	13,500	15,485	(1,985)
Transportation	4,500	4,500	6,442	(1,942)
Contracted services	4,000	4,000	8,265	(4,265)
Utilities	44,500	54,000	51,404	2,596
Professional services	21,500	23,500	33,892	(10,392)
Miscellaneous	700	700	267	433
Insurance and bonds	59,000	42,000	40,252	1,748
Amortization	—	—	1,431	(1,431)
Depreciation	—	—	521,269	(521,269)
Telephone and communications	4,750	4,750	4,444	306
TOTAL OPERATING EXPENSES	842,250	856,750	1,393,487	(536,737)
OPERATING LOSS	27,250	12,750	(543,767)	(556,517)
Nonoperating Revenues (Expenses):				
Debt service	510,800	510,800	592,283	81,483
Loss on sale of assets	—	—	(121)	(121)
Income on restricted assets	26,000	26,000	15,367	(10,633)
Interest earned	1,200	1,200	175	(1,025)
Bond interest and agent fees	(206,423)	(206,423)	(245,288)	(38,865)
CHANGE IN NET ASSETS	\$ 358,827	\$ 344,327	\$ (181,351)	\$ (525,678)

See accompanying letter.



IRA TOWNSHIP

WATER AND SEWER FUND - SEWER DEPARTMENT SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable) Final to Actual
	Original	Final		
Sewer Department				
Operating Revenues:				
User charges	\$ 675,000	\$ 675,000	\$ 538,975	\$ (136,025)
Water plant backwash	120,000	120,000	108,677	(11,323)
Tap fees	60,500	60,500	7,110	(53,390)
Penalties	30,000	30,000	9,876	(20,124)
Miscellaneous revenue	6,560	6,560	10,589	4,029
TOTAL OPERATING REVENUES	892,060	892,060	675,227	(216,833)
Operating Expenses:				
Salaries	207,000	207,000	198,642	8,358
Payroll taxes and benefits	96,500	96,500	100,644	(4,144)
Supplies	24,500	30,500	29,874	626
Plant operation	260,000	270,000	217,804	52,196
Seminars and publications	2,900	5,900	6,603	(703)
Repairs and maintenance	6,500	8,000	7,159	841
Transportation	4,500	4,500	3,695	805
Contracted services	1,000	1,000	1,327	(327)
Utilities	42,000	47,000	43,828	3,172
Professional services	13,500	20,000	22,814	(2,814)
Miscellaneous	600	600	824	(224)
Insurance and bonds	41,000	41,000	36,726	4,274
Amortization	--	--	1,396	(1,396)
Depreciation	--	--	291,021	(291,021)
Telephone and communications	4,750	4,750	4,506	244
TOTAL OPERATING EXPENSES	704,750	736,750	966,863	(230,113)
OPERATING LOSS	187,310	155,310	(291,636)	(446,946)
Nonoperating Revenues (Expenses):				
Debt service	114,000	114,000	115,266	1,266
Loss on sale of assets	--	--	(112)	(112)
Income on restricted assets	8,000	8,000	6,712	(1,288)
Interest earned	5,000	5,000	12,689	7,689
Bond interest and agent fees	(69,406)	(69,406)	(73,421)	(4,015)
CHANGE IN NET ASSETS	\$ 244,904	\$ 212,904	\$ (230,502)	\$ (443,406)

See accompanying letter.



IRA TOWNSHIP**SCHEDULE OF INDEBTEDNESS**

June 30, 2006

Special Assessment Bonds - Series 2000 General Obligation:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
7-31-00	\$ 645,000	4.80 %	2007	\$ 95,000	\$ 2,280	\$ 97,280
Total 2000 General Obligation Bonds				95,000	2,280	97,280

Principal due September 1

Interest due March 1 and September 1

Special Assessment Bonds - Series 2003A General Obligation:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
7-1-03	\$ 290,000	3.75 %	2007	\$ 65,000	\$ 3,656	\$ 68,656
			2008	65,000	1,219	66,219
Total 2003A General Obligation Bonds				130,000	4,875	134,875

Principal due October 1

Interest due April 1 and October 1

Water Fund 2004 Short Cut General Obligation Special Assessment Bonds:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
12-1-04	\$ 180,862	3.88 %	2007	\$ 25,000	\$ 5,757	\$ 30,757
			2008	30,000	4,689	34,689
			2009	30,000	3,525	33,525
			2010	25,000	2,458	27,458
			2011	28,000	1,430	29,430
			2012	22,862	444	23,306
Total 2004 General Obligation Bonds				160,862	18,303	179,165

Principal due September 1

Interest due March 1 and September 1



IRA TOWNSHIP**SCHEDULE OF INDEBTEDNESS***(Continued)*

June 30, 2006

Special Assessment Bonds - Series 2006 General Obligation:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
6-21-06	\$ 135,000	6.85 %	2007	\$ 20,000	\$ 5,737	\$ 25,737
			2008	25,000	7,021	32,021
			2009	30,000	5,138	35,138
			2010	30,000	3,083	33,083
			2011	30,000	1,027	31,027
Total 2006 General Obligation Bonds				135,000	\$ 22,006	\$ 157,006

Principal due September 1

Interest due March 1 and September 1

Capital Improvement Bonds - Series 2006 General Obligation:

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
6-21-06	\$ 480,000	3.85 %	2007	\$ 60,000	\$ 16,688	\$ 76,688
		3.90	2008	65,000	17,070	82,070
		3.95	2009	65,000	14,535	79,535
		4.05	2010	70,000	11,968	81,968
		4.10	2011	70,000	9,133	79,133
		4.15	2012	75,000	6,262	81,262
		4.20	2013	75,000	3,150	78,150
Total 2006 General Obligation Bonds				480,000	\$ 78,806	\$ 558,806
Total General Obligation Bonds				1,000,862		

Principal due May 1

Interest due May 1 and November 1



IRA TOWNSHIP**SCHEDULE OF INDEBTEDNESS***(Continued)*

June 30, 2006

2003 Installment Loan - Fire Truck:

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 704,897	3.34 %	2007	\$ 109,456	\$ 12,437	\$ 121,893
		2008	113,142	8,750	121,892
		2009	116,952	4,940	121,892
		2010	59,945	1,001	60,946
Total 2003 Installment Loan			399,495	\$ 27,128	\$ 426,623

Principal and interest due March 1 and September 1

Water and Sewer Fund 1999 Installment Loan - DPW Facility:

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 650,000	4.30 %	2007	\$ 65,000	\$ 8,385	\$ 73,385
		2008	65,000	5,590	70,590
		2009	65,000	2,795	67,795
Total 1999 Installment Loan			195,000	\$ 16,770	\$ 211,770

Principal due January 1

Interest due January 1 and July 1

1998 Installment Loan - Fire Rescue Truck:

Total Borrowed	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
\$ 125,000	5.25 %	2007	\$ 15,210	\$ 1,017	\$ 16,227
		2008	7,651	207	7,858
Total 1998 Installment Loan			22,861	\$ 1,224	\$ 24,085
Total Installment Loans			617,356		

Principal and interest due April 2 and October 2



IRA TOWNSHIP**SCHEDULE OF INDEBTEDNESS***(Continued)*

June 30, 2006

Water Plant Lease Contract With St. Clair County - Series 2003A:

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-28-03	\$ 4,520,000	2.250 %	2007	\$ -	\$ 138,820	\$ 138,820
		2.500	2008	250,000	132,995	382,995
		2.750	2009	255,000	126,364	381,364
		3.000	2010	270,000	118,808	388,808
		3.250	2011	280,000	110,208	390,208
		3.500	2012	285,000	100,670	385,670
		3.400	2013	290,000	90,752	380,752
		3.550	2014	295,000	80,586	375,586
		3.700	2015	310,000	69,615	379,615
		3.800	2016	330,000	57,610	387,610
		3.900	2017	410,000	43,345	453,345
		4.000	2018	430,000	26,750	456,750
		4.125	2019	440,000	9,075	449,075
Total 2003A Lease Contract				3,845,000	\$ 1,105,598	\$ 4,950,598

Principal due July 1

Interest due January 1 and July 1

St. Clair County Sewage Disposal System No. 1 Ira Township Bonds - Series 1999:

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
11-1-99	\$ 856,656	5.000 %	2007	\$ 79,320	\$ 26,607	\$ 105,927
		5.000	2008	83,286	22,641	105,927
		5.000	2009	87,252	18,477	105,729
		5.000	2010	91,218	14,114	105,332
		5.125	2011	93,201	9,553	102,754
		5.125	2012	93,201	4,777	97,978
Total Sewer Disposal System 1999 Bonds				527,478	\$ 96,169	\$ 623,647

Principal due April 1

Interest due April 1 and October 1



IRA TOWNSHIP**SCHEDULE OF INDEBTEDNESS***(Continued)*

June 30, 2006

St. Clair County Sewage Disposal System No. 1 Ira Township Bonds - Series 2003:

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
3-1-03	\$ 1,050,000	3.375 %	2007	\$ 36,750	\$ 37,849	\$ 74,599
		3.375	2008	38,500	36,609	75,109
		3.400	2009	40,250	35,310	75,560
		3.450	2010	42,000	33,941	75,941
		3.500	2011	43,750	32,492	76,242
		3.500	2012	47,250	30,961	78,211
		3.650	2013	49,000	29,307	78,307
		3.800	2014	52,500	27,518	80,018
		3.900	2015	54,250	25,524	79,774
		4.000	2016	56,000	23,408	79,408
		4.000	2017	59,500	21,168	80,668
		4.100	2018	63,000	18,788	81,788
		4.200	2019	66,500	16,205	82,705
		4.300	2020	70,000	13,412	83,412
		4.400	2021	73,500	10,402	83,902
		4.500	2022	77,000	7,168	84,168
		4.600	2023	80,500	3,704	84,204
Total Sewer Disposal System 2003 Bonds				950,250	\$ 403,766	\$ 1,354,016

Principal due March 1

Interest due March 1 and September 1

Water Plant Lease Contract With St. Clair County - Series 2003B:

Dated	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-28-03	\$ 2,045,000	2.25 %	2007	\$ --	\$ 58,103	\$ 58,103
		2.50	2008	160,000	54,302	214,302
		2.75	2009	170,000	49,965	219,965
		3.00	2010	170,000	45,077	215,077
		3.25	2011	175,000	39,684	214,684
		3.50	2012	190,000	33,515	223,515
		3.40	2013	200,000	26,790	226,790
		3.55	2014	210,000	19,663	229,663
		3.70	2015	215,000	11,958	226,958
		3.80	2016	210,000	3,990	213,990
Total 2003 Lease Contract				1,700,000	\$ 343,047	\$ 2,043,047
Total Lease Contracts				7,022,728		

Principal due July 1

Interest due January 1 and July 1

TOTAL INDEBTEDNESS **\$ 8,640,946**

See accompanying letter.





**McBride, Manley
& Miller P.C.**

Certified Public Accountants

August 25, 2006

Township Board
Ira Township
7085 Meldrum Road
Fair Haven, Michigan 48023

Honorable Board Members:

We have concluded the examination of the records of IRA TOWNSHIP for the year ended June 30, 2006. During our audit, certain items came to our attention which we believe warrant consideration of the Township officials.

PURCHASING

The current Township policies require that purchases in excess of \$1,500 for other than normal reoccurring goods and services require that bids be obtained. During our testing, we found payment for services that exceeded the threshold for bids, however, we were unable to locate the bidding process in the minutes. Whenever purchases are made that require bids, the minutes should reflect that either bids were received and reviewed or the reason that bids were not necessary.

PAYROLL

During our testing, we found an instance where an employee was paid for the wrong number of hours. This appeared to be a result of an error in the calculation of the hours on the time card. We suggest that the time cards be reviewed for the accuracy of the hours prior to completion of the payroll checks.

CASH RECEIPTS

Currently, Township residents are able to make payments for property taxes and utilities at the bank. When this information is entered into the system at the Township, the date paid should be the date the amount was actually deposited at the bank, not the date that the Township received the information from the bank.

CHART OF ACCOUNTS

We found that some of the general ledger accounts that have been used by the Township for years do not properly follow the State chart of accounts. It is suggested that all accounts in the general ledger be reviewed and any changes be made to bring the general ledger in line with the State chart of accounts.

FUND BALANCE

The General Fund and the Fire Operating Fund both had excess expenditures over revenues for the year ending June 30, 2006. Given that all deficits suffered by the Fire Operating Fund are covered by the General Fund, when reviewing the sufficiency of the fund balance for the General Fund, it is imperative to view it in conjunction with the fund balance of the Fire Operating Fund. We believe that a fund balance of approximately 15% of annual expenditures is a reasonable level. In viewing the General and Fire Operating Funds at June 30, 2006, the fund balance was only 6.7%. It is imperative that these Funds do not suffer another loss and that they begin to have revenues in excess of expenditures in an effort to rebuild the fund balance to more appropriate levels.

During 2003, the General Fund borrowed money from the Sewer Fund. As of June 30, 2006, there was still a balance due of \$150,000. Given the current cash flow of the General Fund, the repayment of this in the near future is unlikely and has been reflected in the financial statements as a restriction to the Water and Sewer Fund net assets.

MISCELLANEOUS ITEMS

During our audit, we found various miscellaneous items listed below:

- Transfer of funds to the accounts payable checking account should be done as soon as possible after they are entered into the general ledger. Delay in these transfers results in difficulty in reconciliation and overdraft potential.
- Clerical errors are being made in the allocation of interest income to the various funds. An additional step has been added to the spreadsheet to help in eliminating these errors.
- In some instances, permit fees are collected at multiple times on the same permit, such as for re-inspection. This makes it difficult to account for all fees collected during a specified time period using a series of permit numbers. We suggest that a system be designed to allow for the tracking of permits issued, with all fees collected on those permits to agree to the general ledger.
- Currently, the petty cash fund is accessible to all office staff. It is suggested that responsibility for petty cash be assigned to a single individual and that it be used only as a means of reimbursing small amounts of expenses incurred by employees. Items such as mileage, travel reimbursements, etc., should be submitted by employees on an expense report and paid through accounts payable.

ITEMS FROM PREVIOUS YEAR

PURCHASING

During our testing, we found that not all invoices are being checked for mathematical accuracy and invoices do not always contain evidence that items were received. To assure that the correct amounts are paid and only for items received, all invoices should be recalculated and indication of receipt of goods should be present on the invoice.

UTILITY BILLING

During our audit, we tested the utility billings for various items. We found that in several instances, the meter books appeared to be incomplete and/or inaccurate. The meter books should contain all information pertinent to that address. Items such as the name, factor, meter size, sewer service, etc., should be present on the cards.



CONCLUSION

We would like to express our appreciation and thanks to the Township Supervisor, Clerk, Treasurer, and office personnel for their cooperation and many courtesies extended to us during our examination. We will be available to discuss these recommendations in detail or to assist in their implementation.

This report is intended solely for the information and use of the Township Board, management, and others within the Township. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Respectfully submitted,

McBride, Manley & Miller PC
McBRIDE, MANLEY & MILLER P.C.
Certified Public Accountants

